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Third Party Communication: None

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LEGEND

Parent =

Parent Worldwide Group =

Holdings =

F1 =

F2 =

F3 =

Transferee =

Country A =

Country B =

Country C =

Country D =

State A =

a =

b =

This letter responds to your May 27, 2009 request for rulings on the federal income tax consequences of a proposed transaction. The information submitted in that request and in later correspondence is summarized below.

The rulings contained in this letter are based on facts and representations submitted by the taxpayer and accompanied by a penalty of perjury statement executed by an appropriate party. This office has not verified any of the materials submitted in support of the request for rulings. Verification of the information, representations, and other data may be required as part of the audit process.

FACTS

Parent is a State A corporation and the common parent of an affiliated group of corporations filing a U.S. consolidated federal income tax return.

Parent owns all the stock in Holdings, a State A corporation.

Holdings owns all the equity interests in F1, a Country A entity resident in Country B classified as a corporation for U.S. Federal tax purposes, F2, a Country C entity classified as a corporation for U.S. Federal tax purposes, and F3, a Country D entity classified as a corporation for U.S. Federal tax purposes. In addition, Holdings directly owns all the equity interests in a number of entities that are not relevant to the Proposed Transaction described below.

F1 is a holding company whose only significant assets consist of equity interests in entities that are members of the Parent Worldwide Group. F2 and F3 are both operating companies.

Each of F1, F2, and F3 (collectively, the "Target CFCs") is a "controlled foreign corporation" within the meaning of Section 957(a). The shares of each of the Target

CFCs were acquired at different times and at different prices. Thus, the shares of the Target CFCs have various bases and holding periods.

Parent has determined that it would be advantageous to transfer F1, F2, and F3 to a new holding company to achieve several business objectives. First, it will provide the Parent Worldwide Group with a holding company with increased share equity and share premium accounts under the corporate laws of Country A and Country B, eliminating a local corporate law impediment to efficient deployment of funds within the Parent Worldwide Group. Second, it will provide the Parent Worldwide Group with a holding company with a capital structure that will facilitate the integration of foreign targets and foreign operations of domestic targets within Parent Worldwide Group. Third, it will align the legal ownership of the Parent Group's foreign affiliates under a single foreign holding company. Fourth, the new foreign holding company structure may permit Parent Group to reduce Country B withholding tax on potential future distributions of share premium.

PROPOSED TRANSACTION

To achieve the business purpose described above, the Parent Worldwide Group proposes to undertake the following steps:

1. Holdings will form Transferee, a Country A company resident in Country B; and
2. Holdings will transfer all of the stock of the Target CFCs (the "Target CFCs Stock") to Transferee in exchange for a shares of voting common and b shares of non-voting common Transferee stock (the "Transferee Stock").

Following the Proposed Transaction, Holdings will own all of the outstanding shares of Transferee Stock.

REPRESENTATIONS

The following representations have been made with respect to the Proposed Transaction:

- (a) No stock or securities will be issued for services to or for the benefit of Transferee in connection with the transaction, and no stock or securities will be issued for indebtedness of Transferee.
- (b) The property will not be transferred subject to any liabilities and Transferee will not assume any liabilities of Holdings in connection with the transfer of such property.

- (c) The transfer is not the result of the solicitation by a promoter, broker, or investment house.
- (d) Holdings will not retain any rights in the property transferred to Transferee.
- (e) There is no indebtedness between Transferee and Holdings and there will be no indebtedness created in favor of Holdings as a result of the transaction.
- (f) The Proposed Transaction will occur under a plan agreed before the transaction in which the rights of the parties are defined.
- (g) There is no plan or intention on the part of Transferee to redeem or otherwise reacquire any stock or indebtedness issued in the Proposed Transaction.
- (h) Taking into account any issuance of additional shares of Transferee Stock; any issuance of stock for services; the exercise of any Transferee stock rights, warrants, or subscriptions; a public offering of Transferee Stock; and the sale, exchange, transfer by gift, or other disposition of any of the stock of Transferee to be received in the exchange, Holdings will be in "control" of Transferee within the meaning of section 368(c).
- (i) None of the Target CFC's Stock to be transferred to Transferee in the Proposed Transaction will be "Section 306 stock" within the meaning of section 306(c) of the Code.
- (j) The aggregate fair market value of the Target CFC's Stock will exceed the aggregate adjusted basis of such stock.
- (k) The fair market value of the assets of Transferee will exceed the sum of the liabilities (whether indebtedness or other forms of obligations including contingent obligations) of Transferee immediately after the Proposed Transaction.
- (l) Holdings will receive stock approximately equal to the fair market value of the property transferred to Transferee.
- (m) Transferee will remain in existence and retain and use the property transferred to it in a trade or business.
- (n) There is no plan or intention by Transferee to dispose of the transferred property other than in the normal course of business operations
- (o) Each of the parties to the transaction will pay its own expenses, if any, incurred in connection with the transaction.

- (p) Transferee will not be an investment company within the meaning of section 351(e)(1) and Treas. Reg. § 1.351-1(c)(1)(ii) of the Treasury Regulations.
- (q) Holdings is not under the jurisdiction of a court in a Title 11 or similar case (within the meaning of section 368(a)(3)(A) and the stock or securities received in exchange will not be used to satisfy the indebtedness of such debtor.
- (r) Transferee will not be a “personal service corporation” within the meaning of section 269A.
- (s) None of Holdings, Transferee, or the Target CFC’s will be a passive foreign investment companies (“PFICs”) within the meaning of section 1297(a) immediately before or after the Proposed Transaction.
- (t) With respect to any existing gain recognition agreement entered into by Holdings in connection with a prior transfer by Holdings of stock or securities to F1, Holdings will, in accordance with Treas. Reg. § 1.367(a)-8(k), enter into a new gain recognition agreement as described in Treas. Reg. § 1.367-8(c)(5) that designates Transferee as the transferee foreign corporation for purposes of Treas. Reg. § 1.367(a)-8, and will comply with the notification requirements thereunder.
- (u) Holdings will enter into gain recognition agreements, satisfying the requirements of Treas. Reg. § 1.367(a)-8, with respect to the transfer by Holdings of the stock of Target CFCs to Transferee in the Proposed Transaction.

RULINGS

Based solely on the information submitted and representations set forth above, we rule as follows with respect to the Proposed Transaction:

- (1) Holdings shall recognize no gain or loss upon the transfer of the Target CFC’s Stock to Transferee solely in exchange for the Transferee Stock. Sections 351(a) and 357(a).
- (2) No gain or loss shall be recognized by Transferee upon the receipt of the Target CFC’s Stock in exchange for newly issued Transferee Stock. Section 1032.
- (3) The aggregate basis of the Transferee Stock received by Holdings shall be the same as the aggregate basis of the Target CFCs Stock surrendered in exchange therefor and shall be allocated between the class of voting common shares of Transferee Stock and the class of nonvoting common shares of Transferee Stock received in the exchange in proportion to the fair market values of the classes,

such that each voting common share shall have an identical, averaged basis and each nonvoting common share shall have an identical, averaged basis. (Section 358; Treas. Reg. § 1.358-2(b)(2)).

- (4) The basis of each share of the Target CFC's Stock received by Transferee shall be the same as the basis of the shares in the hands of Holdings determined immediately before the transfer. Section 362(a).
- (5) The holding period of the Transferee Stock received by Holdings shall include the period during which the property exchanged therefore was held, provided such property was held as a capital asset by Holdings on the date of the exchange. Section 1223(1).
- (6) The holding period of the Target CFC's Stock received by Transferee shall include the period during which Holdings held the stock. Section 1223(2).

CAVEATS

We express no opinion on the tax effect of the Proposed Transaction under any other provision of the Code or Regulations, or the tax effect of any condition existing at the time of, or effect resulting from, the Proposed Transaction that is not specifically covered by the rulings set forth above.

PROCEDURAL STATEMENTS

This ruling is directed only to the taxpayer who requested it. Section 6110(k)(3) provides that it may not be used or cited as precedent.

A copy of this letter must be attached to any income tax return to which it is relevant. Alternatively, taxpayers filing their returns electronically may satisfy this requirement by attaching a statement to their return that provides the date and control number of the letter ruling.

In accordance with the power of attorney on file in this office, a copy of this letter is being sent to your authorized representatives.

Sincerely,

Richard Heinecke
Assistant to the Branch Chief, Branch 6
Associate Chief Counsel (Corporate)